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THE COUNCIL
REPORT OF THE FINANCE DIVISION
LATONIA MCKINNEY, ACTING DIRECTOR

COMMITTEE ON FINANCE
HON. JULISSA FERRERAS, CHAIR

PRECONSIDERED INT.

By: Council Member Ferreras

TITLE:

A local law to amend the administrative code of the city of New York, in relation to authorizing the commissioner of buildings to waive certain fees in connection with work funded under the “Build It Back” program.

I. Background

A. Build It Back Program

Build It Back (“BIB”) is a program the City has developed to help multi-family and single-family (1-4 units) homeowners complete repairs and rebuild as a result of SuperStorm Sandy.

BIB uses funds from the U.S. Department of Housing and Urban Development’s (HUD) Community Development Block Grant Disaster Recovery (CDBG-DR) program, which passes through the City’s Department of Environmental Protection (DEP), and is overseen by the NYC Housing Recovery Office and administered by the Department Housing Preservation and Development (HPD). The program offers homeowners the option to: 1) repair; 2) repair and elevate; 3) receive reimbursement for out-of-pocket previous repairs; 4) rebuild; and 5) acquire a new property. Repair is offered if damage amounts to less than 50% of the pre-storm value of the home, repair and elevate is offered if damage amounts to between 50% and 80% of pre-storm value, and rebuild is offered if the cost for rebuilding is within 20% of the cost to repair and elevate.¹

Under BIB, residential property owners receive access to a grant for residential reconstruction or rehabilitation, with payments in the amount of the grant going directly to contractors managed by the City. Registration to participate in this program closed on October 31, 2013.

¹ See *New York City Build It Back Applicant Guidebook for 1-4 Unit Homes*, available at <http://www.nyc.gov/html/recovery/downloads/pdf/bib-applicant-guidebook-final-v1.0.pdf> (last accessed June 22, 2014).

Under BIB, some homeowners may also be eligible for reimbursement if they have paid for repairs done by private contractors. Eligibility is determined on a case-by-case basis and applies only to contracts signed prior to October 29, 2013, the one year anniversary of Sandy.

As of April 1, 2014, 19,920 participants have registered with BIB for assistance with the rehabilitation or reconstruction of single-family homes and 747 participants have registered for assistance for the rehabilitation or reconstruction multi-family homes. A total of \$18,743,333 has already been spent on those homes.

A total of \$1.698 billion in CDBG-DR funding has been allocated to BIB thus far, with \$3.96 million recently appropriated in the City's Department of Buildings' ("DOB") Executive Budget for Fiscal Year 2015 for the hiring of new staff, including inspectors, dedicated to servicing the properties participating in the BIB program and other related costs.

B. Duplication of Benefits

CDBG-DR funding is intended to supplement, and not duplicate, other resources made available to disaster victims. Before the City spends federal funding on a customer, the City is obligated by law, specifically under the Stafford Act, to make sure that the City is not spending federal money to cover a need for which funding has already been provided by other sources, including awards from the U.S. Federal Emergency Management Agency (FEMA), U.S. Small Business Association (SBA) loans, or insurance payouts.² In other words, funds received by the participant from other sources for the same property and the same purpose are considered duplicative benefits.³ Benefits received from other sources which were either spent improperly

² See 42 U.S.C. 5155(A)

³ See *New York City Build It Back Applicant Guidebook for 1-4 Unit Homes*, available at <http://www.nyc.gov/html/recovery/downloads/pdf/bib-applicant-guidebook-final-v1.0.pdf> at 11 (last accessed June 22, 2014).

or which have not yet been spent by the applicant are duplicative and BIB must reduce the amount of CDBG-DR funded assistance the applicant receives by the duplicative amount.⁴

1. Construction Fees and Duplication of Benefits

Under the New York City Building Code, various permits are required when a property undergoes significant repair or reconstruction. Pursuant to Section 28-112.1 of the New York City Administrative Code, generally, all permits, applications, and inspections required by the various provisions in the New York City Building Code are valid only upon payment of the proscribed fee. Participants in the BIB program pay the necessary fees, and then are subsequently reimbursed by HUD. The below tables detail some of the required fees:

⁴ *See id.*

CONSTRUCTION CODES UPDATE PAGE

Matter in plain text is unchanged. Matter underlined is new. Matter ~~stricken-through~~ is deleted.
 Source: Local Law 45 of 2011, effective September 9, 2011.

GENERAL ADMINISTRATIVE PROVISIONS

Insert between pages A-24 and A-25 of your bound volumes of the NYC Building Code, NYC Plumbing Code, NYC Mechanical Code and NYC Fuel Gas Code.

Certain fees set forth in Table 28-112.2 are amended to read as follows:

TABLE 28-112.2

Permit Type	Initial Fee	Renewal Fee	Comments
<i>Alterations</i>			
Alteration work permit:		\$100 annually	
<ul style="list-style-type: none"> • One-, two or three-family dwelling. • <u>Alteration Type 1</u> • <u>Alteration Type 2</u> • <u>Alteration Type 3</u> 	<p><u>Minimum Filing Fee - \$170</u> <u>Minimum Filing Fee - \$130</u> <u>Minimum Filing Fee - \$130</u></p>		
<ul style="list-style-type: none"> • Permit to install and/or alter plumbing, plumbing system and/or fire suppression piping system in existing building: One-, two or three-family dwelling. 	<p>\$100 <u>Minimum filing fee</u> for the first five thousand dollars or fraction thereof, of the cost of alteration, excluding the cost for the installation or alteration of any plumbing or plumbing system or fire suppression piping system; not less than \$100 <u>\$130</u> annually for subsequent years; plus \$5.15 for each one thousand dollars, or fraction thereof, of cost of alterations in excess of five thousand dollars.</p>		—

10 Work Description				
Item	Quantity	Cost	Fee amount	Indicate number and size
1. Service Switches				
A Up to 100 amps		@8.00		
B 101 to 200 amps		@30.00		
C 201 to 600 amps		@105.00		
D 601 to 1200 amps		@225.00		
E Over 1200 ampe		@375.00		
2. Ser. Ent. & FDR Cond. (Each Set)				
A Up to #2 conductor		@15.00		
B Over #2 to 1/0		@30.00		
C Over 1/0 to 250 MCM		@45.00		
D Over 250 MCM		@75.00		
3. Panels				
A 1Ø up to 20-1 or 10-2 pole brkrs		@15.00		
B 1Ø over 20-1 or 10-2 pole brkrs		@37.50		
C 3Ø up to 225 amps		@50.00		
D 3Ø over 225 amps		@75.00		
4. Elevators, Escalators, Material Lifts				
A Total no. of Elevators, etc		@125.00		
B Each additional 10 floors or less		@83.00		
5. Boiler Controls				
		@12.00		
6. Signs				
Print additional tag #'s where indicated			Additional tag numbers	
filing fee only				
A Field Connection (tagged only)			1	6
B Shop Inspection (complete page 4)		\$15.00	2	7
C Field Inspection (tag required) (complete page 4) Up to 30 sq. ft. \$65.00 31 to 60 sq. ft. \$90.00 Over 60 sq. ft. \$115.00		\$	3	8
			4	9
			5	10
Sub total \$				

Application #

2. DOB Executive Budget

As previously mentioned, under the BIB program, residential property owners receive access to a grant for residential reconstruction or rehabilitation, with payments in the amount of the grant going directly to contractors managed by the City who will have to apply for DOB permits, and pay the associated fees, to complete the repair or reconstruction of properties in the BIB program. In order to ensure that it can quickly conduct required inspections of this large portfolio of City-managed construction, the Mayor's Fiscal 2015 Executive Budget appropriated \$3.96 million to DOB in CDBG-DR funding for the hiring of new staff, including inspectors

dedicated to servicing the properties participating in the BIB program and other related costs.⁵ This funding will be used, in part, to cover the costs associated with the fees of the inspections.

II. Legislation

A. Prevention of Duplication of Benefits

As previously mentioned, DOB imposes fee on homeowner to cover cost of construction, electrical, and plumbing permits. Currently, through BIB, the City-managed contractors pay fees on behalf of homeowner who subsequently gets reimbursed by HUD. As a result of the CDBG-DR funding appropriated to DOB for inspectors and the associated fees in the Fiscal Year 2015 Executive Budget, duplication of benefits results City-managed contractors can get reimbursed for inspection fees through HUD even though these fees are already covered by the budget appropriation.

In order to prevent duplication of benefits, the Administration has submitted legislation to the Council that would waive fees to the homeowner since the fees and the associated costs would now be covered by the \$3.96 million dollar appropriation in DOB's budget.

The Mayor's Office of Housing Recovery currently estimates that the owners of approximately 5,500 single-family properties and 300 multi-family properties would benefit from this fee waiver and that these numbers will likely increase as more owners advance through the BIB process. It is further estimated that for an average construction job costing approximately \$40,000, the amount of required alteration work permit fees that would be waived pursuant to this legislation would be \$350.25.

⁵ The CDBG-DR funding will not cover the approximately \$225,00 that will need to be expended to purchase vehicles for the inspectors dedicated to servicing the BIB properties. The money for these vehicles will need to be appropriated from elsewhere in DOB's FY15 budget.

⁵ See 42 U.S.C. 5155(A)

The legislation would take effect immediately upon signature by the Mayor and will be retroactive to July 1, 2014. This local law shall apply only to fees payable on or after such date.

B. Fiscal Impact of legislation

There would be no fiscal impact on the City's revenue or expenditure as a result of this legislation because the fees are eligible to be charged to the CDBG-DR grant. Currently, homeowners and/or their City-managed contractors pay the applicable fees to DOB and are then eligible to be reimbursed for those costs by the CDBG-DR grant. Under this legislation, DOB would waive the fees to the homeowner and be paid directly from the CDBG-DR funds.